

Board of Commissioners

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Executive Director
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HOUSING KITSAP BOARD OF COMMISSIONERS

MEETING AGENDA

June 05, 2018

3:15 pm - 4:00 pm

Council Chambers, Norm Dicks Government Center, 345 6th St.

1. Call to Order

2. Public Comment (Please limit comments to 3 minutes)

3. Approval of Agenda

4. Discussion items

a. Update on HK financials (Wendy Dutenhoeffer)

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5. Executive Session to consider a Personnel Issue (RCW 42.30.110 (g)) (Stuart Grogan)

6. For the good of the order

7. Adjourn



Board of Commissioners

Agenda Item Summary

MEETING DATE: June 5, 2018

AGENDA ITEM: 4.A

AGENDA ITEM: UPDATE ON HK FINANCIALS

SUBMITTED BY: Wendy Dutenhoeffer

TITLE: Chief Financial Officer

Reviewed and approved for inclusion in the packet by: Executive Director

ATTACHMENTS:

HK Interim Financial Statements as of 03.31.18; MRI Schedule
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STRATEGIC PLAN LINK: Goal 1

FISCAL IMPACT: None

RECOMMENDATION: Discussion

SUMMARY STATEMENT:

Attached are HK Interim Financial Statements as of 03.31.2018 and a preliminary schedule for the implementation of the MRI Financial Software.
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RECOMMENDED ACTION:

None; discussion and update only

4. Discussion items (Wendy Dutenhoeffer)

Update on HK financials

As was described in the Board memo for May 22, 2018, staff is actively working with MRI and Boston Post to implement the two arms of the software system: property and financial. Staff has been compiling information for Boston Post, the property side of the system, and has completed the set up for six sites. Two more groups of six are anticipated in the coming months. Staff and the project management team at Boston Post are laying out a schedule for actual resident data entry for the first six sites. The process will be a template for the remaining two groups. The MRI blueprinting for AR, AP, Job Costing, Purchase Orders and General Ledger planning and implementation trainings happened on May 31 and June 1 and resulted in some very clear agreements about structure, the system and the future direct/manual input of verified data from prior years up to the current date. A copy of the preliminary schedule for the MRI implementation is attached.

Staff has been focused on drafting preliminary Financial Statements for the Board and in anticipation of other deadlines. One of HK's temporary consulting staff has led this process for the last several weeks; a copy of the draft financial statement, through March, 2018, is attached.

One of the other issues that staff tracks on a regular basis is available cash. This is monitored, almost on a daily basis, to insure sufficient cash is available to meet HK's expenses and especially payroll. Based on a pretty comprehensive analysis of our current situation, for just HK and not including the component units, we will have sufficient cash to meet our obligations well into next year with some the assumptions as noted below:

1. HK has been covering Kitsap Apartment's debt service for a few years as the site stabilized operations. It owes HK approximately \$568,000. The analysis above assumes that at least part of that loan is paid back to HK.
2. In 2015, the NMTC partnership withheld approximately \$450,000 from distribution for use on future NMTC applications and projects. Those funds were the result of the exit and dissolution of one of the partnerships. In 2018, two more subsidiaries will also exit; one is complete and the other will exit later this summer. The total expected to be available for distribution is approximately \$800,000. This analysis assumes that most, if not all of those funds will be distributed to the partners including HK.
3. This analysis does not assume the release for HK use of \$250,000 that is held in the Harborside bond reserve.
4. We anticipate some salary savings from the recent departures and retirements of staff. Those departures will result in some reorganization of the Business and Technology Resources team. That reorganization should also capture some savings from operational efficiencies from the new software.
5. Additional savings will be captured in the above analysis with the resumption of loan payments by Kitsap Apartments which will reduce the demand on HK cash; that is not shown above.

6. Rental Assistance Demonstration (RAD) costs are included in the above expenses. While we had expected to pay for the project from a restricted account, those funds turned out to not be available. While this is, and has been, a burden to the organization, we do anticipate repayment upon closing the bonds and starting construction of the projects.
7. The analysis above includes anticipated receipts from the sale of lots and payments resulting from the “waterfalls” of HK’s component units such as our low income housing tax credit partnerships.
8. With the adoption of the annual budget in February, 2018, staff noted that to close the gap, HK would improve operations by reducing expenses and reducing demands on available cash from existing debt as noted below:

a. Bring all properties to break even status	\$ 241,912
b. Reduction in force savings	\$ 154,463
c. Rent increases	\$ 74,701
d. Debt service (DS) reductions from Kitsap Apts	\$ 200,000
e. DS from Madrona	\$ 14,100
f. DS from Heritage and Viewmont	\$ 68,000

To date, we will have realized savings in some of these areas but not all. These tasks will continue to guide staff during the remainder of the year and into next year in order to balance the budget.

As previously noted, the 2019 budgets are in process and are expected to be available to the Board at the end of June.

Kitsap - Project Plan



Status	Task Name	Duration	Start Date	End Date	Predecessors	Owner	Progress	Assigned To
1	<div><div></div><div>PHASE I</div></div>	84d	05/04/18	08/29/18				
2	<div><div></div><div>Initiate</div></div>	1d	05/04/18	05/04/18				
3	<div><div></div><div>Kick-Off Call</div></div>	1d	05/04/18	05/04/18		MRI	<div><div></div></div>	abi.conklin@mrisoftware.com
4								
5	<div><div></div><div>Blueprint</div></div>	52d	05/31/18	08/10/18				
6	<div><div></div><div>Solution Design Workshops</div></div>	2d	05/31/18	06/01/18		MRI	<div><div></div></div>	abi.conklin@mrisoftware.com
7	<div><div></div><div>Project Plan Design</div></div>	2d	05/31/18	06/01/18		MRI	<div><div></div></div>	abi.conklin@mrisoftware.com
8	<div><div></div><div>Solution Design Document</div></div>	50d	06/04/18	08/10/18	6, 7	MRI	<div><div></div></div>	matt.mellinger@mrisoftware.com
9								
10	<div><div></div><div>Build</div></div>	30d	06/04/18	07/13/18				
11	<div><div></div><div>User Setup</div></div>	5d	06/04/18	06/08/18	6	Client	<div><div></div></div>	Wendy Dutenhoeffer
12	<div><div></div><div>Security Setup</div></div>	20d	06/11/18	07/06/18	11	Client	<div><div></div></div>	Wendy Dutenhoeffer
13	<div><div></div><div>General Ledger</div></div>	30d	06/04/18	07/13/18		Client	<div><div></div></div>	Wendy Dutenhoeffer
14	<div><div></div><div>Chart of Accounts & Mapping</div></div>	10d	06/04/18	06/15/18	6	Client	<div><div></div></div>	Wendy Dutenhoeffer
15	<div><div></div><div>Entity, Project, Bank</div></div>	10d	06/04/18	06/15/18	6	Client	<div><div></div></div>	Wendy Dutenhoeffer
16	<div><div></div><div>Bank Mapping</div></div>	5d	06/18/18	06/22/18	14, 15	Client	<div><div></div></div>	Wendy Dutenhoeffer
17	<div><div></div><div>General Ledger History</div></div>	20d	06/18/18	07/13/18	14, 15	Client	<div><div></div></div>	Wendy Dutenhoeffer
18	<div><div></div><div>Budget</div></div>	20d	06/18/18	07/13/18	14, 15	Client	<div><div></div></div>	Wendy Dutenhoeffer
19	<div><div></div><div>Financial Formats</div></div>	20d	06/18/18	07/13/18	14	Client	<div><div></div></div>	Wendy Dutenhoeffer
20	<div><div></div><div>Departments</div></div>	20d	06/04/18	06/29/18	6	Client	<div><div></div></div>	Wendy Dutenhoeffer
21	<div><div></div><div>Accounts Payable</div></div>	40d	06/04/18	07/27/18		Client	<div><div></div></div>	Wendy Dutenhoeffer
22	<div><div></div><div>Vendors</div></div>	20d	06/04/18	06/29/18	6	Client	<div><div></div></div>	Wendy Dutenhoeffer
23	<div><div></div><div>Expense Control</div></div>	15d	06/25/18	07/13/18	11, 14FS +5d	Client	<div><div></div></div>	Wendy Dutenhoeffer
24	<div><div></div><div>Check Batch Approval</div></div>	15d	06/25/18	07/13/18		Client	<div><div></div></div>	Wendy Dutenhoeffer
25	<div><div></div><div>Open AP</div></div>	5d	07/23/18	07/27/18	22FS +15d	Client	<div><div></div></div>	Wendy Dutenhoeffer
26	<div><div></div><div>Purchase Order</div></div>	30d	06/04/18	07/13/18		Client	<div><div></div></div>	Wendy Dutenhoeffer
27	<div><div></div><div>PO Users & Limits</div></div>	20d	06/04/18	06/29/18	6	Client	<div><div></div></div>	Wendy Dutenhoeffer
28	<div><div></div><div>Open POs</div></div>	10d	07/02/18	07/13/18	22, 14	Client	<div><div></div></div>	Wendy Dutenhoeffer
29	<div><div></div><div>Job Cost</div></div>	20d	06/18/18	07/13/18		Client	<div><div></div></div>	Wendy Dutenhoeffer
30	<div><div></div><div>Cost List & Cost Codes</div></div>	5d	06/18/18	06/22/18	6, 14	Client	<div><div></div></div>	Wendy Dutenhoeffer
31	<div><div></div><div>Job Codes</div></div>	15d	06/25/18	07/13/18	30	Client	<div><div></div></div>	Wendy Dutenhoeffer
32	<div><div></div><div>Grant Tracking</div></div>	15d	06/25/18	07/13/18	30	Client	<div><div></div></div>	Wendy Dutenhoeffer
33	<div><div></div><div>Contracts</div></div>	15d	06/25/18	07/13/18		Client	<div><div></div></div>	Wendy Dutenhoeffer
34								
35	<div><div></div><div>Inspect</div></div>	10d	07/16/18	07/27/18				
36	<div><div></div><div>Validation</div></div>	5d	07/16/18	07/20/18	13	Client	<div><div></div></div>	Wendy Dutenhoeffer
37	<div><div></div><div>UAT</div></div>	5d	07/23/18	07/27/18	36	Client	<div><div></div></div>	Wendy Dutenhoeffer

Status	Task Name	Duration	Start Date	End Date	Predecessors	Owner	Progress	Assigned To
38								
39	<div><div></div> Launch</div>	23d	07/30/18	08/29/18				
40	<div><div></div> Training</div>	2d	07/30/18	07/31/18		MRI	<div><div></div></div>	matt.mellinger@mrisoftware.com
41	AP Training	1d	07/30/18	07/30/18	37	MRI	<div><div></div></div>	matt.mellinger@mrisoftware.com
42	PO Training	1d	07/30/18	07/30/18	37	MRI	<div><div></div></div>	matt.mellinger@mrisoftware.com
43	Job Cost Training	1d	07/30/18	07/30/18	37	MRI	<div><div></div></div>	matt.mellinger@mrisoftware.com
44	GL Training	1d	07/31/18	07/31/18	41	MRI	<div><div></div></div>	matt.mellinger@mrisoftware.com
45	Final Inspection	1d	08/01/18	08/01/18	44	Client	<div><div></div></div>	Wendy Dutenhoeffer
46	Go Live	20d	08/02/18	08/29/18	45	Client	<div><div></div></div>	Wendy Dutenhoeffer
47								
48	<div><div></div> PHASE II</div>							
49	Budgeting and Forecasting	30d	TBD	TBD				
50								
51								
52	*	Thursday Mornings PST (Thursday Midday EST) - Not available						
53								
54	Status Legend:							
55	On track							
56	There is a risk of delay							
57	There are issues or delays							
58	Completed							

HOUSING KITSAP
Unaudited Statements of Net Position - For Management Purposes Only
Nine Months Fiscal Year to Date as of March 31, 2018

HK BUSINESS TYPE ACTIVITIES ONLY (Not Consolidated to include Component Units)

	CURRENT FYTD	COMPARATIVE FYTD
	<u>3/31/2018</u>	<u>3/31/2017</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 2,310,695	\$ 2,699,583
Investments	75,715	84,816
Receivables - Net of Allowance for Uncollectible Accounts	2,138,816	1,826,531
Inventory and Other Assets	61,069	89,825
Assets Held for Sale (Self Help Projects)	2,132,144	2,805,376
Restricted Assets	3,997,565	2,905,403
Total Current Assets	<u>10,716,004</u>	<u>10,411,534</u>
Capital and Long Term Assets		
Capital Assets - Net of Accumulated Depreciation	24,483,024	24,919,541
Notes, Mortgages, and Lease Receivable - Long Term	4,895,231	5,777,491
Deferred Charges - Net of Amortization	-	-
Investment in Tax Credit Partnerships	673,067	672,388
Due from Component Units - Long Term	32,504,146	32,725,798
Interfund Receivable - LOC	507,625	506,578
Total Capital and LT Assets	<u>63,063,094</u>	<u>64,601,796</u>
Total Assets	<u>73,779,097</u>	<u>75,013,330</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Amount on Refunding	712,350	723,235
Deferred Outflow - Pension Expense (GASB 68)	596,049	396,364
Total Deferred Outflows of Resources	<u>1,308,399</u>	<u>1,119,599</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 75,087,496</u>	<u>\$ 76,132,929</u>
LIABILITIES		
Short Term Liabilities		
A/P and Interfunds	\$ 2,328,027	\$ 1,371,818
ST Debt	2,259,634	1,933,008
Payable from Restricted Assets	163,122	168,033
Total ST Liabilities	<u>4,750,783</u>	<u>3,472,859</u>
Long Term Liabilities		
LT Debt	42,010,592	41,389,841
Net Pension Liability (GASB 68)	2,593,961	2,204,987
Unearned Revenue & LT Interfund	13,075,957	14,664,283
Total LT Liabilities	<u>57,680,510</u>	<u>58,259,111</u>
Total Liabilities	<u>62,431,293</u>	<u>61,731,970</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows - Proportionate Share (GASB 68)		23,194
Deferred Inflows - Net Difference in Investment Earnings (GASB 68)	137,470	408,996
Total Deferred Inflows of Resources	<u>137,470</u>	<u>432,190</u>
NET POSITION		
Net Position, Beginning of Year	12,813,647	13,249,419
Prior Period Adjustment		-
Fiscal Year to Date Net Increase / (Decrease) in Net Position	(294,914)	719,350
Total Net Position	<u>12,518,733</u>	<u>13,968,769</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 75,087,496</u>	<u>\$ 76,132,929</u>

HOUSING KITSAP
Unaudited Statement of Revenue, Expense & Change in Net Position - For Management Purposes Only
Nine Months Fiscal Year to Date as of March 31, 2018

HK BUSINESS TYPE ACTIVITIES ONLY (Not Consolidated to include Component Units)

	FISCAL YEAR					
	Budget	Actual	Variance \$	Variance %	PY Actual	% Inc/(Dec) from PY
<u>Operating Revenues & Grants</u>						
Rents & Other Tenant Revenue	\$ 1,458,806	\$ 1,446,337	\$ (12,468)	-1%	\$ 1,904,471	-24%
Management Fees	551,971	1,479,763	927,793	168%	1,438,174	3%
Other Income	-	30,360	30,360		6,367	377%
Operating Grants Income	4,301,363	3,644,701	(656,662)	-15%	3,237,834	13%
Operating Revenues & Grants	\$ 6,312,139	\$ 6,601,162	\$ 289,023	5%	\$ 6,586,846	0%
<u>Operating Expenses</u>						
Salaries & Benefits	\$ 2,630,828	\$ 2,763,399	\$ 132,571	5%	\$ 3,040,493	-9%
Professional Services	103,666	560,478	453,812	425%	475,095	18%
General & Administrative	1,825,944	535,160	(1,310,784)	-71%	587,494	-9%
Housing Assistance Payments	1,755,000	1,685,529	(69,471)	-4%	1,787,245	-6%
Repairs & Maintenance	291,743	915,710	623,967	214%	251,895	264%
Utilities Expense	431,733	552,157	120,424	28%	426,117	30%
Depr & Amort Expense	551,754	551,754	-	0%	613,452	-10%
Operating Expenses	\$ 7,613,669	\$ 7,564,187	\$ (49,482)	-1%	\$ 7,181,791	5%
Net Operating Income/(Loss)	\$ (1,301,530)	\$ (963,025)	\$ 338,505	-26%	\$ (594,945)	62%
<u>Non-Operating Revenues & Grants</u>						
Investment Income	-	557,010	557,010		886,551	-37%
Non-Operating Grant Revenue	-	209,527	209,527		1,134,647	-82%
Gain / (Loss) on Assets Sold	-	150,243	150,243		802,978	-81%
Non-Operating Rev & Grants	-	916,780	916,780		2,824,176	-68%
<u>Non-Operating Expenses</u>						
Other Non-Operating Expenses	-	(679,968)	(679,968)		63,595	-1169%
Interest Exp & Fiscal Charges	928,637	928,637	-	0%	1,241,698	-25%
Subsidies & Grants Made	-	-	-		204,587	-100%
Non-Operating Expenses	\$ 928,637	\$ 248,669	\$ (679,968)	-73%	\$ 1,509,880	-84%
Net Non-Operating Revenue / (Expense)	\$ (928,637)	\$ 668,111	\$ 1,596,748	-172%	\$ 1,314,296	-49%
Change in Net Position-FYTD Income / (Loss)	\$ (2,230,167)	\$ (294,914)	\$ 1,935,253	-87%	\$ 719,351	-141%
Net Increase / (Decrease) Change in Net Position before Gain/(Loss) on Sale	\$ (2,230,167)	\$ (445,157)	\$ 1,785,010	-80%	\$ (83,627)	432%

Unaudited - Preliminary - Subject to Change

HOUSING KITSAP
Unaudited Statement of Cash Flow - For Management Purposes Only
Nine Months Fiscal Year to Date as of March 31, 2018

HK BUSINESS TYPE ACTIVITIES ONLY (Not Consolidated to include Component Units)

Cost of operations - FYTD Income / (Loss)		\$ (294,914)
Non-cash items included in cost of operations:		
Add: Depreciation Expense		505,166
Add: Amortization Expense (Bond Discount/Premium and Deferred Amount on Refunding)		46,588
Add: Allowance for Resident Bad Debt		6,393
Add: Accrued Interest Expense (CLA)		300,216
Add: Accrued Interest Expense (LIHTC Bond Projects)		190,731
Add: Accrued Interest Expense (HK Properties)		11,296
Less: Amortization of Deferred Gain on Sale of Assets under Capital Lease		(428,189)
Less: Loan Conversion (SHOP Loan 10-2 and 11-1 Silverview)		-
		<hr/>
Adjusted Cost of Operations - Net Cash Provided (Used)		\$ 337,287
Adjustments to reconcile income to net cash from operations:		
(Increase) Decrease in Receivables	(78,142)	
(Increase) Decrease in Inventories & Other Assets	-	
(Increase) Decrease in Assets Held for Sale (Self Help Projects)	-	
(Increase) Decrease in Restricted Assets	1,118,048	
Increase (Decrease) in Payables & ST Interfund	196,178	
Increase (Decrease) in Payables from Restricted Assets	-	
Net Cash Provided (Used) by Operating Activities	<hr/>	1,236,085
Cash Flow from Investing:		
(Increase) Decrease in Investments	9,290	
(Increase) Decrease in Capital Assets	(124,275)	
(Increase) Decrease in Notes, Mortgages & Lease Receivables	(431,757)	
(Increase) Decrease in Deferred Charges, net of Amort	-	
(Increase) Decrease in Investment in Tax Credit Ptnshps	-	
(Increase) Decrease in Interfund Receivable - LOC	-	
(Increase) Decrease in Due from Component Units-LT	241,403	
Net Cash Provided (Used) by Investing Activities	<hr/>	(305,339)
Cash Flow from Financing:		
Increase (Decrease) in Debt	(1,056,661)	
Increase (Decrease) in Unearned Revenue & LT Interfund	-	
Net Cash Provided (Used) by Financing Activities	<hr/>	(1,056,661)
Net Increase (Decrease) in Cash		\$ 211,371
Add: Cash, beginning of the year		\$ 2,099,324
Cash, fiscal year to date		<u>\$ 2,310,695</u>
Cash and Cash Equivalents, per Balance Sheet		<u>\$ 2,310,695</u>